

How Flagstar Bank integrated its acquired data centers

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Flagstar Bank chief information and operations officer Christopher Higgins (left) and Mphasis head of banking and financial services Rohit Jayachandran (right).

Flagstar/Mphasis

- Key insight: Flagstar Bank reduced the number of co-located data centers it operates as it upgraded its enterprise technology stack this past year.
- Expert quote: "The trick is to make it as modern as you can and as flexible as you can, so you can adapt to change along the way." - Flagstar Bank's CIOO Chris Higgins
- Supporting data: North American inventory across data center markets increased by 33% year-over-year but vacancy still fell to an all-time low, according to a recent commercial real estate report.

How do you combine three banks into one? Very carefully — especially when data centers are involved.

When New York Community Bank acquired both [Flagstar Bank](#) and the [failed Signature Bank](#) back-to-back a few years ago, the deals included separate tech stacks for each institution. After rebranding under the name Flagstar, the bank launched an initiative to consolidate and rebuild its technology infrastructure that finished ahead of schedule.

"In other situations this would have taken two to three years, but in this case we finished it in a year," Christopher Higgins, Flagstar's chief information and operations officer, told American Banker

Higgins was one of several executives [hired by Joseph Otting](#) shortly after he became the bank's CEO as part of a turnaround strategy for the bank, which [returned to profitability](#) at the end of last year after eight quarters of losses and a [near-failure](#) in early 2024.

His first major task was to clean up the bank's disparate technology stack. Acquiring the primary and secondary data centers for each of the three community banks that now make up Flagstar meant that the bank was operating, and paying for, six data centers in total when he first joined in late 2024.

Flagstar's S2 platform, an enterprise tech stack that officially launched earlier this month, is the final version of the bank's technology transformation initiative that included consolidating the original three banking environments into a single stack operated on just one pair of data centers.

The bank partnered with Mphasis, a specialist technology services firm that works with financial institutions, to build its enterprise tech platform and assist with the data center consolidation project. The firm is one of eight companies Flagstar is working with for its S2 platform, according to Higgins.

"Flagstar is a great example of a new customer who we are building a long-term partnership with," Rohit Jayachandran, head of banking and financial services at Mphasis, told American Banker. Now that the build phase of the data center consolidation is complete, he said, Mphasis is currently in the "ongoing monitoring and management phase" of its multi-year contract with the bank.

Higgins specified that he does not consider the bank's two new data centers — one in Ashburn, Virginia and one outside Chicago — to be "primary or secondary."

"The traditional way of thinking is you have a primary data center and you 'fail over' to a secondary" for disaster recovery exercises, he said. "Then you have to move back. Across those [original] three environments, it would take us eight hours to take the primary, move to the secondary, get the businesses to validate if that was successful, and then we would fail back to the primary. A weekend-long exercise, to say the least."

Now, Flagstar's two data centers are set up to each be fully operational as a primary processor for the bank's servers as needed.

"It's [more] like data center one, data center two," he said. "We can now move workload from one to the other in less than 60 minutes and we don't have to move it again afterwards; we can just stay put."

The bank did not build its own facilities for the data centers; instead, it leased space for its servers in existing facilities owned by data center provider Equinix.

"There's no competitive advantage for Flagstar to build and operate its own data centers," Higgins said. "There's a whole lot of expense and risk associated with it. The trick is to make it as modern as you can and as flexible as you can, so you can adapt to change along the way."

He argued that for banks, data centers are "critical but not differentiating."

"We understand the value of having a strong data center foundation, but there's no economic or commercial advantage to owning your own data center, no matter what your size is," he said.

Tina Tarquinio, IBM's chief product officer for IBM Z and LinuxONE, said that colocation data centers — a type of shared facility where businesses rent physical space to house their privately owned servers and IT hardware — are increasingly being used by banks due to high operational costs.

"Having the flexibility for future planning and the ability to have infrastructure fit in smaller footprints is essential to meet enterprises where they are," she told American Banker.

For the past decade, banks have also been increasing their use of cloud computing. However, banks and cloud providers alike have been going through a data center reckoning. According to a [June 2026 report](#) from commercial real estate firm CBRE, global data center inventory surged year-over-year in Q1 2026 across all major regions but is still struggling to keep up with increased demand from cloud services, hyperscalers and AI servers. North American inventory across the four largest data center markets, including Northern Virginia and Chicago, increased by 33% year-over-year, even as vacancy fell to an all-time low.

Data center pricing also continued to increase across North America, with Chicago and Northern Virginia demanding the highest rental rates respectively. Throttled construction timelines will limit U.S. data center supply through 2030, according to the report, driving pricing to unprecedented highs.

Bank of America has also consolidated [its data center usage](#) in the past. CEO Brian Moynihan told investors during the bank's [2019 third-quarter earnings](#) call that at the time, the bank had reduced its IT footprint from 67 data centers with 200,000 servers to 23 data centers with 70,000 servers as part of transitioning to a private cloud-based system with IBM. The move reduced operational expenses, according to Moynihan, by \$2 billion a year over a two-year time span.

"The lion's share of applications run [on] around 8,000 servers," he said. "We still have 70,000 servers, but those are more dedicated for very specific things and we'll continue to work to take them down." Bank of America has not publicly disclosed since 2019 how many data centers and servers it currently operates